



# ELITE WEALTH MANAGEMENT

## Dynamic Option Strategy

July 2017

**INVESTMENT OBJECTIVE:** The Dynamic Option Strategy (“DOS”) targets capital appreciation along with income generation. The strategy is designed to take advantage of variances in volatility across the entire spectrum of market conditions in order to target generating a continuous income stream. This strategy seeks to track or outperform the performance of the CBOE S&P 500 PutWrite Index (PUT).

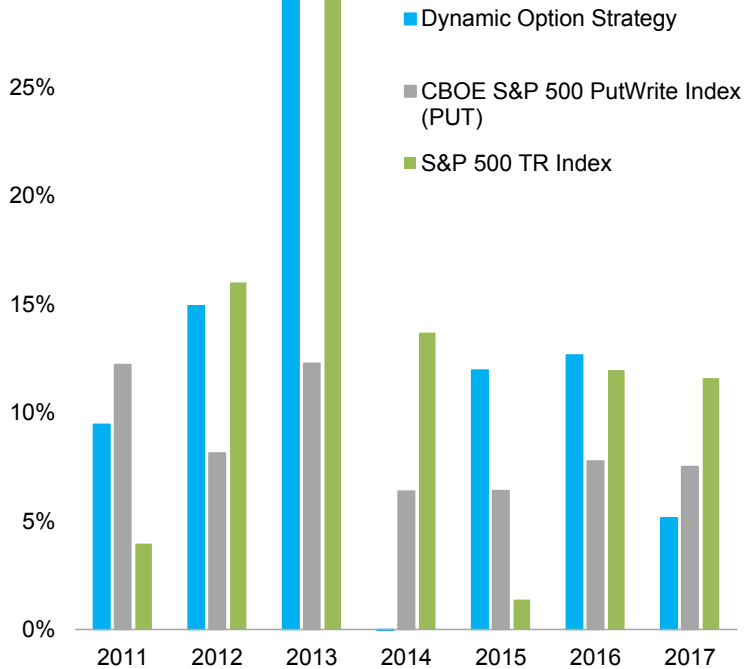
**INVESTMENT APPROACH:** This strategy embodies the idea of selling index and equity put options against cash and collecting premium as a consistent income stream for the portfolio. The strategy involves selling out-of-the-money puts collecting premiums as long as the stock price of the underlying security remains above the put strike price at expiration. Stocks may be assigned at a price lower than current trading prices at the point of options placement. The put options are used as a tool to acquire a security at a discounted and pre-established price, which is the strike price of the option. Covered calls are used as a tool to exit assigned stocks and generate income in the interim. This strategy is designed for a long-term investor looking to generate profits from the collection of premium and/or to go long equity positions at a significant discount to their current trading prices. The strategy can only be implemented for taxable accounts; IRA accounts cannot utilize this strategy given the nature of put selling.

### STRATEGY STRENGTHS

- Put writing is designed to potentially earn profits by ongoing collection of premium.
- Assignment through put writing, if it occurs, purchases the underlying stock at a lower price.
- Can be a way of generating additional portfolio income.
- Selling options can generate yield in a bull market, stagnant market and within a range of heightened volatility.
- Option writing may potentially reduce both extreme positive and negative monthly returns in exchange for less variable monthly returns.



### DYNAMIC OPTION STRATEGY ANNUAL RETURNS (NET OF FEES)



The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. There is a \$110,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or accounts are removed from the composite upon the last full month of investment. **Past performance is no guarantee of future results.** Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions and costs. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars. Please see the Dynamic Options Strategy Disclosures for additional strategy performance information.

**Past performance is not indicative of future results.** Please refer to the Disclosure section for additional information.



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### MONTHLY PERFORMANCE (NET OF FEES)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD		
													DOS	PUT	S&P 500 TR
2017	0.67%	0.86%	0.67%	0.73%	0.85%	0.54%	0.73%						5.16%	7.51%	11.59%
2016	0.55%	1.67%	1.81%	0.54%	1.17%	1.01%	1.34%	0.95%	0.77%	0.25%	1.20%	0.73%	12.66%	7.77%	11.96%
2015	-2.63%	6.62%	-0.03%	2.47%	2.32%	-0.61%	2.70%	-10.76%	6.59%	4.45%	0.66%	0.79%	11.96%	6.40%	1.38%
2014	-1.25%	3.06%	1.87%	0.51%	3.02%	5.04%	-3.73%	7.88%	-5.18%	-2.75%	-4.62%	-3.25%	-0.35%	6.38%	13.69%
2013	1.06%	1.41%	3.33%	3.30%	3.00%	1.83%	2.01%	1.17%	1.03%	1.19%	2.73%	3.76%	29.04%	12.28%	32.39%
2012	0.33%	0.85%	0.76%	0.28%	0.10%	1.24%	4.92%	2.10%	2.17%	2.33%	1.87%	-2.78%	14.92%	8.14%	16.00%
2011									0.86%	5.04%	2.16%	1.14%	9.47%	12.22%	3.96%

### DOS PERFORMANCE STATISTICS (NET OF FEES)

Standard Deviation (Monthly):	2.73%	July Return:	0.73%
Standard Deviation (Annualized):	9.47%	YTD Return:*	5.16%
Downside Deviation (Monthly):**	1.81%	Average Monthly Return:	1.12%
Downside Deviation (Annualized):**	6.26%	Highest Month:	7.88%
Sharpe Ratio (Monthly):**	0.32	Lowest Month:	-10.76%
Sharpe Ratio (Annualized):**	1.10	% of Positive Months:	84.51%
Sortino Ratio (Monthly):**	0.46	Maximum Drawdown:	-17.14%
Sortino Ratio (Annualized):**	1.59	Longest Winning Streak:	23 Months
Alpha (Monthly):***	0.45%	Longest Losing Streak:	5 Months
Alpha (Annualized):***	5.50%		
Beta:***	0.71	Compounded Monthly Return:	1.08%
Correlation Coefficient:***	0.53	Compounded Annual Return:	13.77%
R-squared:***	0.28	Cumulative Return:	114.57%

\*YTD Through July 2017 \*\*Based on Risk Free Rate (RFR) at 3.0% \*\*\*Calculated Against PUT Index

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At Elite Wealth Management, Inc., our commitment to clients comes first. Our mission is to identify, implement, and maintain the best wealth management solution for you, while offering personalized service that exceeds your expectations.

Since no two clients are alike, Elite integrates wealth management, family office, estate planning, and philanthropic services into one complete, personal solution for every unique individual and/or family we serve. As an independent firm, our actions will always reflect your best interests and serve your investment needs.

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Market indexes are included in this report only as context reflecting general market results during the period. Elite may trade in securities that are not represented by such market indexes and may have concentrations in a number of securities and in asset classes not included in such indexes. Accordingly, no representations are made that the performance or volatility of the strategy allocations will track or reflect any particular index. Market index performance calculations are gross of management and performance incentive fees.

The performance shown is of a strategy consisting of all discretionary accounts using this investment strategy. There is an \$110,000 minimum account size required for inclusion in the strategy. New funds or accounts are added to the strategy upon the first full month of investment and closed funds or accounts are removed from the composite upon the last full month of investment. The performance for the period September 2011 through January 2014 was achieved while Mr. Lennil was the Chief Investment Officer ("CIO") with his prior firm, Exagroup, Inc. ("Exagroup"). While Mr. Lennil, was not affiliated with Elite Wealth Management during that time period, the accounts that comprise the performance of the DOS Composite were all managed on behalf of clients of Elite Wealth Management or Lattice Capital Management. The performance achieved for the period January 2014 to present was achieved while Mr. Lennil was affiliated with Elite Wealth Management, as he continues to make all investment decisions for all client accounts managed with Elite/Lattice as he did while employed at Exagroup.

**Past performance is no guarantee of future results.** Performance returns for periods of less than one year are not annualized. The performance figures contained herein are provided net of 1% management fees basis, reflecting the deduction of investment management fees, as well as brokerage or other commissions and costs. It is not possible to invest directly in an index. Index performance does not reflect charges and expenses and is not based on actual advisory client assets. Index performance does include the reinvestment of dividends and other distributions. The performance includes the reinvestment of dividends and other corporate earnings and is calculated in US dollars. There was a 15% performance fee up until November 2014 that is now eliminated.

**Dynamic Option Strategy ("DOS") Risk Disclosure Statement:** All investments include a risk of loss that clients should be prepared to bear. The principal risks of the Elite Wealth Management strategies are disclosed in the publicly available Form ADV Part 2A. Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options in your account. If you are interested in margin lending (a loan to purchase securities that is secured or collateralized by securities in your account) or option trading, please visit <http://www.optionsclearing.com/about/publications/character-risks.jsp> to read the Options Disclosure Document titled "Characteristics and Risks of Standardized Options", or call the Interactive Brokers, LLC ("IB") office @ 1-877-442-2757 for a current copy, before considering any option transaction.

Statistics Definitions can be viewed at <http://elitewm.com/analytics>.

**Sources:** Yahoo Finance, Hedge Connection, Chicago Board of Exchange.

**Put Option:** A put option allows the purchasing investor to require the writing investor to purchase the underlying security, currency or other asset at the specified exercise price. Purchasing and writing (i.e. selling) put options are highly specialized activities and entail significant risks. The risk involved in writing a put option include the possible decreases in the value of the underlying asset caused by declining stock prices, rising interest rates or other factors. If this occurred, the option could be exercised and the client would be required to purchase the underlying security, currency or other asset at a price higher than its current market value. If a put option purchased by a client were permitted to expire without being sold or exercised, the client would lose the entire premium it paid for the option.

**Call Option:** A call option allows the purchasing investor, for a premium, to purchase from the selling investor the right to buy the underlying security, currency or other asset at the exercise price. Purchasing and writing (i.e. selling) call options are highly specialized activities and entail significant risks. The risks involved in writing a call option include possible increases in the market value of the underlying asset caused by rising stock prices, declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security, currency or other asset would then be sold by the client at a lower price than its current market value. If a call option purchased by the client were permitted to expire without being sold or exercised, the client would lose the entire premium it paid for the option.